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SUBJECT: Naming Indonesia as a Priority Country for Food Security

¶1. Summary and Action Request. Food security is a priority for President Yudhoyono, and U.S. assistance would yield concrete poverty-alleviating results for up to 150 million vulnerable Indonesians. Indonesia suffers from a high incidence of food insecurity, particularly in eastern regions where conditions resemble Sub-Saharan Africa. Indonesia has shown it has the capacity to increase agricultural productivity but still needs assistance to tackle the chronic food insecurity that grips multiple provinces. Food security would provide an important new area for collaboration with Indonesia in international fora like the G-20, and translate into deeper collaboration on a range of other priority global issues.

¶2. Action Request: Post requests that President Obama inform President Yudhoyono that Indonesia has been selected as a priority country for food security assistance during their planned November bilateral on the margins of APEC. End Summary and Action Request.

150 Million Vulnerable Indonesians

¶3. Approximately 150 million Indonesians (out of a 240 million population) live close to or below the poverty line, and more than 60 percent of poor families depend on agricultural income. Half of Indonesia's population live on less than \$2 per day and spend two-thirds of their income on food. Every 10 percent increase in the cost of rice results in another 2 million people falling into poverty. The unprecedented rise in food and fuel prices during 2008 put tremendous pressure on this segment of the population. Food prices have since stabilized, but adverse weather or external shocks could lead again to a rapid deterioration. High land fragmentation in densely populated areas as well as erratic rainfall attributed to climate change in the eastern part of the country adversely affect the large population which depends heavily on agriculture. Indonesia has made significant progress in food production, but failure to maintain or improve competitiveness will have serious consequences.

¶4. According to the World Food Program (WFP), as many as two-thirds of all Indonesian provinces have areas which suffer from chronic food insecurity. WFP estimates 13 million children in Indonesia suffer from malnutrition. Conditions are particularly dire in eastern provinces, which the outgoing WFP Country Director has said resemble those in Africa's Sub-Saharan countries. In that region, chronic malnutrition rates for children under five - already an alarming 37 percent nationwide - has ranged as high as 60 percent in recent years. Acute malnutrition rates for children under five - 13 percent nationwide - are 20 percent or higher in the eastern regions. Nationally, 18 percent of children in 2008 were underweight, while estimates in eastern regions ranged above 40 percent. Conditions for maternal health and nutrition are equally critical in these same regions.

Numerous Opportunities for Substantial Impact

15. Countless opportunities exist for fruitful long-term cooperation on research, training, and capacity building between Indonesian and U.S. institutions, including land grant universities. Indonesia has the basic research, training and extension institutions, but it can benefit greatly from linkages and joint programs with U.S. institutions. U.S. assistance can strengthen this capacity by assisting research, training and extension down to the district level - an area officials say is a top priority. With the aim of not only increasing production but also incomes in rural areas to support access to food, high potential areas of cooperation include grains and cash crops like cocoa, coffee, fruits and vegetables. Agroforestry initiatives that combine food production with reforestation and land use policies can be part of an integrated program aimed at both food security and climate change.

16. Indonesian officials also recognize that food security in Indonesia is inextricably tied to the ocean. Over 60 percent of Indonesia's protein supply is derived from fishery products. Improving Indonesia's ability to protect and manage its domestic fishery and participate in international pelagic fisheries management is critical to both food security and economic development. Indonesia's coral reefs (20 percent of the world's total), mangroves and sea grass ecosystems constitute the spawning, nursery and feeding grounds of large number of marine animals. This biodiversity supports the livelihood of 34 million people and provides 6.8 million jobs.

Why Indonesia?

17. Country Leadership and Capacity: President Yudhoyono's establishment and chairmanship of the National Food Security Council demonstrates the degree to which food security is a high national priority. At the G-20 and other multilateral fora, Indonesia has committed to collaborative action on food security. Displaying the ability and willingness to budget its own resources, the Government of Indonesia (GOI) has disbursed \$32 million in assistance to vulnerable populations identified in a 2006 WFP assessment. Indonesia also has the capacity - although still deficient - in agricultural sciences (including fisheries) to generate a high return on assistance. It displayed this capacity by increasing rice production more than three million tons between 2007 and 2008, thereby achieving self-sufficiency in rice. Indonesia is also beginning to address the need for substantial new investment in agricultural infrastructure. U.S. assistance can catalyze and leverage Indonesia's commitment and investments.

18. High Poverty-Reduction Impact: As many as 150 million Indonesians are the potential beneficiaries of improvements in food security. Agriculture (including forestry and fisheries) accounts for over 41 percent of national employment. The agricultural sector, which had a 4.8 percent growth rate in 2008, can provide significant opportunities for contributing to improved food security, poverty reduction, and strong economic growth. Official data indicate that women account for 40 percent of the agricultural workforce, but the actual number is probably higher. Improvements in agriculture would clearly benefit tens of millions of rural women and their families.

Success and Geopolitical Value

19. The Indonesian leadership's recognition of the food security challenge and commitment to multilateral cooperation, self-identified priorities, base capacity, and agricultural potential - all this makes Indonesia a more likely candidate than many countries to turn food security assistance into sustainable, country-led programs. A number of multilateral organizations already have well-established programs in Indonesia and are consciously working to further improve strategic coordination with the Government of Indonesia (GOI) and other donors. Our assistance would complement their efforts and strengthen Indonesia's own capacity to deal with food security throughout the archipelago. (From 2002 to 2009, the U.S. contribution to Indonesia through the WFP exceeded \$23 million, mostly for emergency feeding programs.)

¶10. Success would provide an example for other developing countries and further strengthen the long-term stability of Southeast Asia. Helping Indonesia - a member of the newly empowered G-20 - would also provide an important new area for U.S.-Indonesia collaboration which we could translate into collaboration on other global issues ranging from nuclear proliferation and climate change to fuel subsidies and democracy in Burma. An investment in Indonesia's food security would leverage a much higher potential return than in other developing countries which are not members of the G-20, or which are less inclined to cooperate with the United States on these pressing global issues.

¶11. President Obama could announce a decision to include Indonesia as a priority focus country for food security assistance during his planned bilateral meeting with President Yudhoyono on the margins of APEC in Singapore this November.

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